

## Message Text

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INFO OCT-01 ISO-00 PM-07 DODE-00 SSO-00 NSCE-00 USIE-00

INRE-00 CIAE-00 INR-10 L-03 NEA-10 NSAE-00 PA-04

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JCS/J-4:COL RAY (INFO)

JCS/J-3:COL FREELAND (INFO)

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C O N F I D E N T I A L STATE 066037

E.O. 11652: GDS

TAGS: MCAP, NATO

SUBJECT: APRIL 3 MEETING: IMPACT OF POL SHORTAGE

REF: (A) USNATO 1741; (B) CMCM 7-74; (C) USNATO 1162

1. AS REQUESTED REF A, WE HAVE REVIEWED REF B WHICH WE  
FIND ACCEPTABLE AS A BEGINNING STEP TO ASSESS THE IMPACT  
OF POL UPON NATO'S MILITARY CAPABILITIES. DESPITE RECENT  
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INDICATIONS THAT THE AVAILABILITY OF POL WILL INCREASE,

THE DPC SHOULD ENSURE THAT MC MAINTAINS A CAREFUL WATCH OVER THE NATO EXERCISE PROGRAM SO THAT IF OIL SHORTAGES OR EXPENSES ARE TO IMPACT ON THIS AREA, IT WILL BE WITH A MINIMUM OF DAMAGE AND WITH SOME RELATIONSHIP TO OVERALL PRIORITIES. YOU SHOULD POINT OUT THAT IT IS REGRETABLE THAT THE MC WAS UNABLE TO REVIEW THE ENTIRE EXERCISE CYCLE SO AS TO DEVELOP SOME SEMBLANCE OF PRIORITY AMONG THE COMPETING EXERCISES SO THAT WE COULD OBTAIN MAXIMUM BENEFIT FROM AN EXERCISE SCHEDULE IF IT HAD TO BE REDUCED OR MODIFIED IN THE FUTURE DUE TO OIL SHORTAGES OR INCREASED EXPENSES. WHILE NATO SHOULD NOT CONSTRUE THIS AS A HINT OF US DESIRES TO REDUCE EXERCISES, WE MUST ACKNOWLEDGE THAT THE POL PROBLEM WILL NOT SOON DISAPPEAR AND THAT IN THE INTERIM SOME ESSENTIAL CONTINGENCY PLANNING SHOULD BE UNDERWAY.

2. SINCE THE IMMEDIATE CONCERN OVER POL AVAILABILITIES

HAS ABATED, YOU SHOULD SEEK TO HAVE THOSE NATIONS WHO HAVE SO INDICATED, IN THE ENCLOSURE TO REF B, DROP THEIR REQUIREMENT TO HAVE POL STOCKS REPLACED IN KIND. WE ARE CONCERNED LEST THIS REMAIN IN THE RECORD AND ESTABLISH A PRECEDENT THAT COULD SERIOUSLY HINDER FUTURE EXERCISES. RATHER THAN HAVING INDIVIDUAL NATIONS ESTABLISH THIS REPLACEMENT CRITERIA WE WOULD PREFER TO HAVE THE MATTER DISCUSSED IN NATO CIRCLES SO THAT A UNIFORM POLICY MIGHT BE DEVELOPED.

3. THE EXPECTED INCREASE IN AVAILABILITY OF POL WILL NOT ELIMINATE OUR POL PROBLEMS BUT SUBSTITUTE THE DIFFICULTIES CAUSED BY INCREASED COSTS FOR THOSE CAUSED BY SHORTAGES. IF ANYTHING, THE SITUATION WILL WORSEN SINCE THE IMPACT WILL EFFECT OVERALL READINESS AND DEFENSE BUDGETS, NOT JUST EXERCISES. ALONG THESE LINES WE WOULD WELCOME THE DPC MAKING SOME EFFORT TO HAVE THE NATO COUNTRIES ASSESS THE LONG-TERM IMPACT OF RISING FUEL COSTS, AS SECRETARY LUNS SUGGESTED IN REPORT CONTAINED REF C. WE EXPECT THAT THESE COSTS WILL HAVE A SERIOUS IMPACT UPON BUDGETS WHICH, UNLESS ACCOUNTED FOR THROUGH INCREASED EXPENDITURES, WILL DEGRADE NATO READINESS.  
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WHILE NATIONS THEMSELVES WILL HAVE TO LOOK AT INCREASING EXPENDITURES, IT WOULD BE APPROPRIATE FOR NATO TO HIGHLIGHT THESE DANGERS AND EXPLORE POSSIBILITIES FOR INCREASED COOPERATION THAT WOULD TEND TO REDUCE INEFFICIENCIES AND WASTEFUL REDUNDENCIES.

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